

1963 King's Dept. Stores

annual report

fiscal year ended January 31,

1963

KING'S

CLEVELAND PUBLIC LIBRARY
BUSINESS & ECONOMIC
CORPORATION FILE

DEPARTMENT STORES, INC.





JANUARY 31, 1963

25
STORES

STATE	CITY	SQUARE FEET
Colorado	Denver	65,000
Connecticut	Hartford	60,000
	Manchester	115,000
	*Meriden	70,000
	Milford	50,000
	*Seymour	55,000
	Stamford	85,000
Florida	Ft. Lauderdale	45,000
	*Jacksonville	80,000
	*Orlando	90,000
	West Palm Beach	35,000
Georgia	Atlanta	50,000
Maine	*Falmouth	75,000
Massachusetts	Brockton	95,000
	Fitchburg	55,000
	Hyannis	50,000
	Lowell	35,000
	*Methuen	80,000
	Shrewsbury	45,000
	Springfield	80,000
New Hampshire	Portsmouth	60,000
New York	Albany	50,000
Pennsylvania	*Allentown	85,000
	Newcastle	50,000
Virginia	Norfolk	55,000

**Opened during 1962.*

PATTERNS OF GROWTH



PLANNED FOR 1963

8
STORES

	OPENED	
Connecticut	New Haven	75,000
Ohio	Niles	70,000

	SCHEDULED FOR SPRING	
New Jersey	Edgewater Park	80,000
North Carolina	Winston-Salem	75,000
Vermont	Rutland	55,000

	SCHEDULED FOR FALL	
New Jersey	Vineland	75,000
North Carolina	Durham	60,000
Massachusetts	Newton	80,000

THE YEAR AT A GLANCE

OPERATIONS

Total Sales
Leased Department Sales
Net Sales
Leased Department and Other Income
Total Income
Cost of Goods Sold and Expenses
Income before Taxes
Provision for Taxes
Net Income
Earnings Per Share*

Year Ended January 31,

1963	1962
\$62,031,000	\$51,362,000
14,416,000	9,917,000
47,615,000	41,445,000
1,504,000	1,047,000
49,119,000	42,492,000
46,512,000	39,865,000
2,607,000	2,627,000
1,306,000	1,293,000
1,301,000	1,334,000
1.16	1.19

FINANCIAL

Current Assets
Current Liabilities
Working Capital
Current Ratio
Stockholders' Equity
Equity Per Share*
Stock Dividend

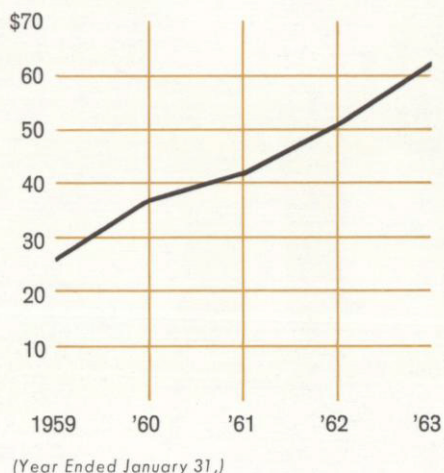
\$ 9,057,000	\$ 8,190,000
3,127,000	2,962,000
5,930,000	5,228,000
2.9	2.7
8,475,000	7,198,000
7.55	6.41
5%	2%

*Based on 1,122,825 shares outstanding.



Aaron O. Cohen, chairman, at the right, and Murray A. Candib, president, head the Company's executive team. In the background, a bulldozer clears a parking area at one of King's newest stores in New Haven, Conn.

TOTAL SALES
(in millions)



TO OUR SHAREHOLDERS:

During the past year, King's Department Stores accelerated its growth and established a pattern for future expansion.

Total sales for the year ended January 31, 1963 climbed 20 per cent to \$62,031,000, a gain of \$10,669,000 over the previous period.

Net profit totaled \$1,301,000, equal to \$1.16 a share, based on 1,122,825 shares outstanding. The Company earned \$1,334,000, or \$1.19 a share, on the same number of shares a year earlier.

King's added seven new units to its national chain of self-service department stores during 1962, expanding the total to 25. Pre-opening expenses amounted to approximately \$300,000, equivalent to 27 cents a share before taxes. This was nearly twice the outlay required in the prior year. Though the Company benefited from four of the seven stores for less than four months, because of unavoidable construction delays, the entire cost of the expansion program has been absorbed, and no expenses have been carried forward.

Other costs affecting operations included hiring and training new management personnel to operate King's projected chain of 33 stores for the current fiscal year and moving the Company's administrative and buying offices to new and enlarged quarters in Newton, Mass.

The Company's balance sheet on January 31, 1963 showed noteworthy improvement over the previous year.

William F. Kenney, vice president and general manager, directs store operations, a task force of 2150 employees and the new store site program.

Mr. Kenney is also a Company director.



Working capital increased approximately \$700,000 to \$5,930,000. Current assets, after a \$921,000 expenditure for new store fixtures and equipment, were 2.9 times current liabilities, compared with 2.7 the year before. Stockholders' equity increased \$1,277,000 to \$8,475,000.

King's continues to maintain a strong cash position of \$2,700,000, of which \$2,000,000 are in income-producing certificates of deposit.

New stores planned for the current year again will be financed by earnings. Of the eight units scheduled, two are already in operation, three will be opened this Spring, and three in early Fall.

During the past year, shareholders received a 5 per cent stock dividend compared with 2 per cent the year before.

APPLICATION OF FUNDS

FUNDS WERE PROVIDED BY:

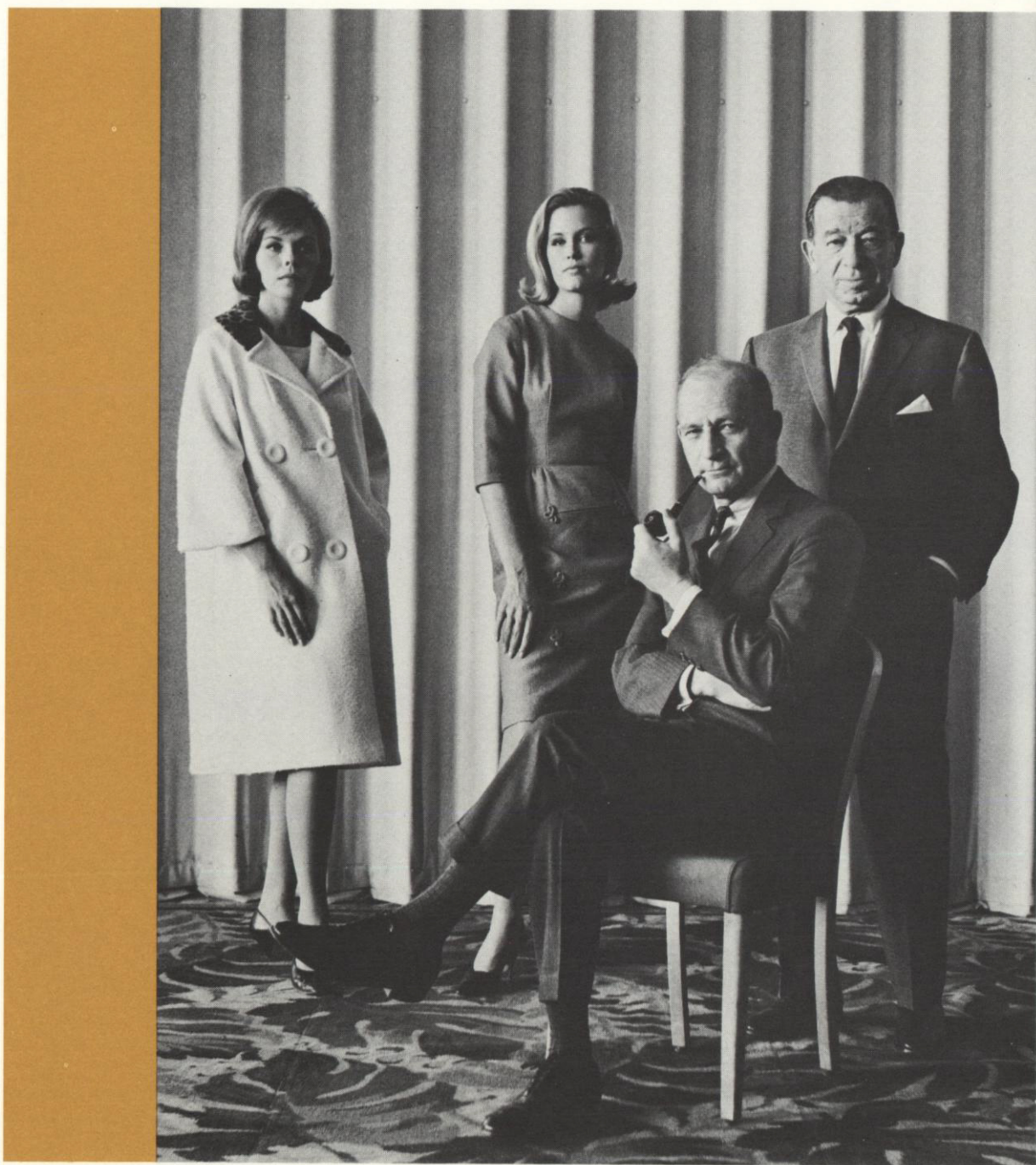
	Year Ended January 31, 1963
Net profit for the year ended January 31, 1963.....	\$1,301,090
Depreciation and amortization of fixed assets.....	308,608
Deferred federal taxes on income.....	36,529
Reserve for investment credit.....	21,450
	<u>1,667,677</u>

FUNDS WERE APPLIED TO:

Purchase of fixed assets.....	921,683
Cash paid in lieu of fractional shares for 5% stock dividend.....	23,777
Decrease in long-term debt.....	13,820
Increase in cash surrender value of life insurance.....	5,685
	<u>964,965</u>

INCREASE IN WORKING CAPITAL..... \$ 702,712

Seated in the foreground
is Aaron G. Goldberg, a
director and vice
president, merchandising. At
right is Jack Hartblay, a director
and resident New York buyer,
whose staff channels the
flow of fashions to King's
stores across the country.



The most important single fact concerning the future of discounting is that its potential is substantially greater than its volume last year, estimated at approximately \$6 billion, a 30 per cent increase over 1961. While certain operators in the discount field have encountered financial difficulties, the well-managed and well-financed chains will continue to thrive. We are confident that King's abilities, experiences and resources will enable it to play an increasingly prominent role in this prosperous environment.

Aaron O. Cohen

Aaron O. Cohen,
Chairman

April 25, 1963

Murray A. Candib

Murray A. Candib,
President

Nathan Greenberg, a director
and treasurer, is shown at
his desk. Standing is
Morton E. Kaufman, controller.
Benjamin M. Fiegar, assistant
treasurer, is at right.



CONSOLIDATED

ASSETS

	January 31,	
	1963	1962
Current assets:		
Cash	\$ 713,867	\$ 1,176,325
Time deposits	2,000,000	2,500,000
6% note receivable secured by store under construction	250,000	—
Budget receivables	69,677	—
Other receivables	157,757	97,989
Merchandise inventories, at lower of average cost or market	5,700,958	4,263,881
Prepaid expenses	165,374	152,093
Total current assets	<u>9,057,633</u>	<u>8,190,288</u>
Cash surrender value of life insurance	53,497	47,812
Fixed assets, at cost:		
Land and land improvements	147,182	133,282
Fixtures and equipment	2,957,264	2,129,114
Leasehold improvements	758,151	678,518
	<u>3,862,597</u>	<u>2,940,914</u>
Less:		
Accumulated depreciation and amortization	1,071,762	763,154
Reserve for investment credit	21,450	—
	<u>1,093,212</u>	<u>763,154</u>
Net fixed assets	<u>2,769,385</u>	<u>2,177,760</u>
	<u>\$11,880,515</u>	<u>\$10,415,860</u>

See accompanying notes

BALANCE SHEET

LIABILITIES

	January 31,	
	1963	1962
Current liabilities:		
Accounts payable and current installments on long-term debt.	\$ 1,613,640	\$ 1,515,374
Accrued expenses	414,292	402,574
Federal taxes on income, estimated	1,099,043	1,044,394
Total current liabilities	<u>3,126,975</u>	<u>2,962,342</u>
Deferred Federal taxes on income	222,015	185,486
Long-term debt, payable monthly to April, 1971	56,598	70,418
Stockholders' equity:		
Common stock, \$1 par value (note 2).		
Authorized 2,000,000 shares; issued and		
outstanding 1,122,825 shares (1962—1,070,492 shares)	1,122,825	1,070,492
Additional paid-in capital (note 3)	4,244,033	3,252,322
Retained earnings	3,108,069	2,874,800
Total stockholders' equity	<u>8,474,927</u>	<u>7,197,614</u>
	<u>\$11,880,515</u>	<u>\$10,415,860</u>

to financial statements.

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

	Year Ended January 31,	
	1963	1962
Total store sales.....	\$62,031,060	\$51,362,003
Less leased department sales.....	14,415,627	9,916,625
Net sales	47,615,433	41,445,378
Leased department income.....	1,351,836	971,388
Interest and other income, net.....	152,360	76,332
Total income	49,119,629	42,493,098
Cost of goods sold, transportation and buying expenses.....	36,093,602	31,585,785
Store operating, administrative and general expenses, including leased department expenses.....	10,104,038	8,025,616
Depreciation and amortization.....	314,652	254,544
Total costs and expenses.....	46,512,292	39,865,945
Earnings before Federal taxes on income.....	2,607,337	2,627,153
Federal taxes on income.....	1,306,247	1,292,854
Net earnings	1,301,090	1,334,299
Retained earnings at beginning of year.....	2,874,800	2,914,751
	4,175,890	4,249,050
Deduct:		
5% stock dividend paid, 52,333 shares (1962—2%, 20,492 shares).....	1,067,821	645,750
Capital adjustment resulting from exchange of common stock of the company for the capital stock of subsidiaries.....	—	728,500
	1,067,821	1,374,250
Retained earnings at end of year.....	\$ 3,108,069	\$ 2,874,800

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

January 31, 1963

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the company and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. STOCK OPTION PLAN:

Under the company's restricted stock option plan, limited to 84,260 shares, options were granted on August 28, 1961 to certain officers and employees to purchase 64,260 shares of common stock at a price of \$11.53 per share (95% of the offering price on August 29, 1961). At January 31, 1963 options to purchase 12,852 shares were exercisable. No options have been exercised.

The number of shares and purchase price quoted above have been adjusted for stock dividends.

3. ADDITIONAL PAID-IN CAPITAL:

Balance at beginning of year	\$3,252,322
Excess of market value over par value of 52,333 shares of common stock issued as a 5% stock dividend	991,711
Balance at end of year	<u><u>\$4,244,033</u></u>

4. LONG-TERM LEASES:

At January 31, 1963 the total minimum annual fixed rentals payable under leases expiring after five years was approximately \$1,566,000. Leases covering about 51% of this amount expire on various dates within the next seventeen years, and leases on the remainder expire within the next twenty years.

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors, King's Department Stores, Inc.:

We have examined the consolidated balance sheet of King's Department Stores, Inc. and subsidiaries as of January 31, 1963 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet, and statement of consolidated earnings and retained earnings present fairly the financial position of King's Department Stores, Inc. and subsidiaries at January 31, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Mass.
March 26, 1963

PEAT, MARWICK, MITCHELL & Co.

FIVE YEAR REVIEW

Year Ended January 31,

	1963	1962	1961	1960	1959
Total Sales	\$62,031,000	\$51,362,000	\$41,854,000	\$37,160,000	\$26,419,000
Leased Department Sales	14,416,000	9,917,000	6,994,000	5,760,000	3,831,000
Net Sales	47,615,000	41,445,000	34,860,000	31,400,000	22,588,000
Leased Department and Other Income	1,504,000	1,047,000	747,000	615,000	382,000
Total Income	49,119,000	42,492,000	35,607,000	32,015,000	22,970,000
Cost of Goods Sold and Expenses	46,512,000	39,865,000	34,412,000	30,304,000	21,832,000
Income before Taxes	2,607,000	2,627,000	1,195,000	1,711,000	1,138,000
Provision for Taxes	1,306,000	1,293,000	519,000	835,000	549,000
Net Income	1,301,000	1,334,000	676,000	876,000	589,000
Earnings Per Share*	1.16	1.19	.60	.77	.52
Stock Dividend	5%	2%	—	—	—
Number of Stores	25	18	13	12	11

*Based on 1,122,825 shares outstanding.

DIRECTORS

AARON O. COHEN
MURRAY A. CANDIB
WILLIAM F. KENNEY
AARON G. GOLDBERG
NATHAN GREENBERG
JOHN S. R. SHAD
JACK HARTBLAY

OFFICERS

AARON O. COHEN, Chairman of the Board
MURRAY A. CANDIB, President
WILLIAM F. KENNEY, Vice President
AARON G. GOLDBERG, Vice President
NATHAN GREENBERG, Treasurer
BENJAMIN M. FIEGAR, Ass't. Treasurer
MORTON E. KAUFMAN, Controller

TRANSFER AGENTS

OLD COLONY TRUST COMPANY, Boston, Mass.
MARINE MIDLAND TRUST COMPANY, New York, N. Y.

REGISTRAR

FIRST NATIONAL BANK OF BOSTON, Boston, Mass.

GENERAL COUNSEL

PARKER, CHAPIN AND FLATTAU, New York, N. Y.

AUDITOR

PEAT, MARWICK, MITCHELL & CO.

EXECUTIVE OFFICES

150 California Street
Newton 58, Massachusetts



KING'S Department Stores, Inc.

150 California Street

Newton 58, Massachusetts